REPORT
1974-1975

GOVERNMENT OF INDIA
MINISTRY OF INDUSTRY AND
CIVIL SUPPLIES
NEW DELHI

PREFACE

With the reconstitution of Central Ministries on 11th October, 1974, a new Ministry namely, the Ministry of Industry and Civil Supplies, has been created comprising of the following three Departments :

(i) Department of Industrial Development (Audyogik Vikas Vibhag)

(ii) Department of Heavy Industry (Bhari Udyog Vibhag)

(iii) Department of Civil Supplies and Cooperation. (Nagrik Poorti Aur Sahkarita Vibhag)

In the past the three departments were part of different Ministries and had separate annual reports. After the constitution of the Ministry of Industry and Civil Supplies it was decided to have one report for the three departments so as to present, in one volume, an overall view of the activities of the Ministry.

These three Departments have been dealt with in Parts I, I and III of the report respectively. An introductory chapter n the Industrial Situation covers the overall activities of the inistry of Industry and Civil Supplies.

THE INDUSTRIAL SITUATION—1974-75

After a year of relative stagnation in industrial productio in 1973-74, there has been some noticeable improvement in pro duction performance in the first nine months of 1974-75. The general Index of Industrial Production (Base 1960=100) is available only upto July, 1974; the index shows a growth rate of 2 3 per cent in industrial production during the period January—July, 1974, and a growth rate of 3 8 per cent in April—July over the corresponding period of last year. More recent rates are, however, available for a large number of industries, accounting for a total weight of 60 per cent in the index of industrial production On the basis of a statistical analysis of these data, it is estimated that the rate of growth in the industrial producion in the first nine months of 1974-75 is likely to be of the order of 2 5 to 3 per cent as compared to 0.6 per cent last year

It is particularly heartening that output in critical sectors, which have an important bearing on the industrial performance in the economy as a whole, has shown considerable improvement this year. Thus, during the period April—December, 1974 production of saleable steel, coal (including coking coal) and power in the economy was 10.4 per cent, 8.5 per cent, and 6.0 per cent higher than the corresponding period of last year. Similarly, public sector undertakings have continued to perform well, and many of the undertakings have registered rates of growth of over 20 per cent during the period April—December, 974. The overall weighted average growth in public sector utput during April—December 1974, as compared to the rresponding period of last year, works out to about 12 7 per nt. The growth rate in the output of heavy engineering sec- is noteworthy, and production of heavy industrial units conled by the Department of Heavy Industry showed an inse of 41 per cent in value during April—December, 1974

over last year. Gains in production registered by the heavy industrial sector need be particularly mentioned because this goes to debunk not one but two long prevailing myths about the Indian industrial structure, namely, that heavy industrial sector in India cannot work efficiently, and that the public enterprises in India are and must remain inefficient.

While all this is heartening, it must also be stated that the overall rate of growth of production still remains much below what the country is capable of achieving, and an important task of Government policy in the coming year must be to create an industrial enviornment which would permit industry to realise its full potential. The overall rate of growth in industrial production in the last five years (1970—1974) is likely to be no higher than 3.2 per cent which compares unfavourably with the rate of growth that was achieved in the first half of the sixties as well as the rate of growth that was planned for. The production performance in certain important sectors in 1974 was sluggish. in this category fall industries which provide important industrial inputs, such as cement, aluminium and copper, as well as certain important consumer industries, such as textiles and vanaspati. Production in the textile industry, in the last two years, which has a large weight in the industrial index and, therefore, exercises an important influence on the overall rate of growth has been sluggish.

There are a number of factors which go to explain why the average rate of growth of industrial production in the recent period has been low. Among the factors that are commonly mentioned are shortages in the availability of indigenous raw materials, particularly for agro-based industries, the power crisis which has affected normal operations in various parts of the country, shortage in the supply of imported raw materials because of the foreign exchange situation and the energy crisis which has meant a reduction in the availability of furnace oil below what would have been ideally desired. In addition, the country has experienced a high rate of inflation in the last two years.

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It is difficult to be categorical about effects of inflation on industrial output in a situation where excess capacity exists. However, it is likely that in a highly protected economy with sheltered markets, inflation is likely to exercise a negative rather than a positive effect on production. This is because a high rate of inflation ensures expanding profits to existing firms without calling for an increase in the quantity of output. Incentive for increasing output by existing firms is reduced. At the same time, inflation makes it more difficult for new investments to be made. Investment costs tend to increase at even a faster rate than the average price level, with the result that firms wishing to undertake new investments inevitably find themselves short of resources. There can be no doubt therefore, that containment of inflation must remain the first priority before the country for reasons of growth as well as equity.

In a determined effort to combat inflation, the Government took several anti-inflationary measures this year, among which a prominent role had to be assigned to control of money supply. It is likely that period of credit squeeze, after an easy monetary policy, combined with a high rate of inflation will create problems of adjustment for industry by adversely affecting their liquidity positions. If a tight monetary policy succeeds in bringing prices down which after all is the objective, it is also bound to create further difficulties for firms with high inventory levels, since their output prices are no longer likely to match the prices at which nventories were purchased earlier. These difficulties are fur- her increased if there is resistance on the part of firms to low- r prices, which in turn, leads to a slackness in demand for eir products. A tight monetary policy, therefore, while an sential part of the anti-inflationary package, may have had ne effect on production in the short run, especially in view of fact that our information system is not such as to permit a tuning of credit supply with changing requirements of dif- nt units in different industries over time.

While it is easy to enumerate the reasons for relative stag- n in industrial growth in the last few years and blame it

on forces beyond the country's control, there can be no doubt that there are also certain factors responsible for this outcome which are entirely within the country's control. Thus, in critical areas such as steel, coal, power and fertilizers, the ability to increase output is constrained only by our ability to utilise the existing capacity to a fuller extent. It is also regrettable that capacity utilisation in many industries is low despite the fact that there is an excess demand for the products of these industries. It may be contended that this is due to shortage of inputs, but in at least some industries, this is likely to be due to lack of a determined effort to increase production by re-aligning costs and prices. If the country has to re-enter the phase of a high growth rate in industrial production, an attempt must be made to utilise our existing capacity more fully than has been the case in the past.

It is the Government's intention to create an industrial environment where this objective can be realised. Some actions have already been taken to streamline procedures, to provide flexibility where it is needed, and to regulate production and/or consumption in areas where it is necessary to do so in order to maximise the social gains from productive activity. Thus, the Secretariat for Industrial Approvals (SIA) which was created last year in order to speed up industrial licensing has achieved noticeable success. The total number of substantive disposals during the year 1974 was 5819, which is a record figure for a single year. The number of old cases disposed of by SIA was 2308, which is over 85 per cent of the old cases taken over by SIA. In terms of time limits, SIA has been able to achieve 72 per cent of the disposals of licensing applications within 120 days, 97 per cent of the composite applications within 150 days, and 81 per cent of the MRTP applications within 180 days. In respect of Capital Goods clearances also, there has been a significant improvement in the rate of disposal as well as the time taken. Thus, during the period under review, there were 887 cases of capital goods disposals, 62.1 per cent of which were disposed of within 90 days and 84.5 per cent were disposed of within 120 days.

Clearances of cases by themselves have very little meaning unless an attempt is also made to see that applications thus cleared are actually implemented. The Government is reviewing the machinery for monitoring the progress of industrial approvals, and it is intended to provide active assistance to entrepreneurs for implementation of capacities in desired areas. An essential element in this effort must, however, be to discourage frivolous applications and prevent pre-emption of capacity by strictly observing the validity period of licences given. In certain high priority areas, where licensing restrictions are coming in the way of fuller utilisation of capacity according to the pattern of country's requirements, flexibility has also been provided in determining the product-mix within the overall licensed capacity. Thus, manufacturers of machine tools and machinery industries and electric furnace units have been given the freedom to diversify their production on the basis of a special approval procedure.

While flexibility has been provided where it is needed, it has also been the endeavour of Government to regulate production and/or consumption of products which are in short supply, and whose use has to be regulated according to overall social and economic priorities. Thus, in respect of cement, a Cement Control Order was issued in August, with the object of preventing the use of cement for non-priority purposes. This restriction has released a substantial amount of cement for priority uses as well as for export purposes. Similarly, in paper, a Production Control Order was issued in order to ensure the supply of white paper for text books for school and other high priority usage. In sum, it has been the endeavour of Government to use policy instruments for purposes of promoting production by giving as much flexibility to the entrepreneurs as is desirable and consistent with the equally important objective that growth in industrial production should not be dissipated in low priority uses.

While the rate of growth of industrial production must be increased, industrial growth cannot be an end in itself. Fruits

growth have to be distributed fairly and equitably. To this l. the development of small scale industries, diffusion of enpreneurship and development of backward areas must have high priority in the nation's industrial strategy. In order to vide the data base for taking appropriate measures for pursive development of the small scale sector, a national census small scale industries was launched in 1973, and is near npletion. In order to enable existing small industries to dernise their production processes and also facilitate the wth of new viable units. a proposal to raise the ceiling for the all scale sector from Rs. 7.5 lakhs to Rs. 10 lakhs, and of cillaries from Rs. 10 lakhs to Rs. 15 lakhs is under ive consideration of the Government. With regard to backrd areas. a number of steps have already been announced to ovide incentives for location of industries in these areas. The dget provision for subsidy for backward areas in 1974-75 been raised from Rs. 1.5 crores to Rs. 5 crores. It may o be mentioned that the number of Letters of Intent and lustrial Licences granted for backward areas have also rerded a significant increase. During the period January— tober. 1974, 269 Letters of Intent and 237 Industrial Licen- were issued for location of industries in the backward areas. rresponding figures for 1973 were 127 and 103, and for 1972 re 108 and 83.

In a poor country such as India, where income distribution highly skewed, it is also of great importance that the vulnerle and poorer sections of the society are able to meet their quirements of essential commodities including food and cloth- at reasonable cost. In a situation where wage goods also ppen to be in short supply in the country, it is not unlikely it prices of these essential commodities would be pushed bend the reach of the common man, unless the Government invened to create an effective public distribution system. It uld be the endeavour of the newly created Civil Supplies epartment in this Ministry to ensure that essential commodis are available to the people at fair prices. and in the reired quantities. To do this effectively is by no means an

easy task, but it is a challenge which must be met if the country has to contain inflation and realise its social objectives. To this end, consultations have already been initiated with the State Governments for evolving a viable public distribution system in selected essential commodities.

It is customary to say a word about the prospects of the coming year in this introductory chapter Because of many uncertainties prevailing both at home and abroad, this is an exercise which is likely to be of doubtful validity, for example, industrial prospects in the country depend, among other things, on adequate availability of agricultural raw materials about which it is impossible to hazard a guess at this time The most that one can say is that on present reckoning, prospects for the coming year certainly look more favourable than last year, because of the improved situation in respect of supply of basic industrial inputs like coal. steel and power. However, whether this hope can be translated into a reality would depend as much on improved supply of inputs as on the determination of industry to make the requisite effort to utilise the full industrial potential existing in the country by optimising the use of scarce resources particularly energy resources. On its part, it is the firm intention of the Government to provide the necessary infra-structural and other assistance to enable the industry to do so. It is also the intention of the Government o gear industrial policies to the objective of maximising the ate of growth in a manner which would strengthen our long-rm industrial capability as well as contribute to the realisation other social objectives.

PART I

DEPARTMENT OF INDUSTRIAL DEVELOPMENT

(AUDYOGIK VIKAS VIBHAG)

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CHAPTER I

FUNCTIONS AND ORGANISATIONAL SET-UP

Functions

The Department of Industrial Development is responsible for the promotion of industrialisation of the country by encouraging the orderly development of large, medium and small scale industries and development of khadi and village industries both in the private and in the public sectors It formulates industrial policy, seeks to promote productivity in industries and encourages the development of industrial cooperatives This Department is also responsible for planning the development and control of all other industries not specifically allotted to any other Department

In the public sector, besides the management of public sector undertakings under its administrative control, the Department of Industrial Development also coordinates matters of general policy of a non-financial nature affecting all public sector industries.

In the cooperative sector, except for co-operative sugar and fertilizer factories, the work relating to all other industries has been entrusted to this Department.

The Ministry of Industry and Civil Supplies is under the charge of the Minister of Industry and Civil Supplies. He is assisted by three Ministers of State and a Deputy Minister. The Secretariat of the Department of Industrial Development is headed by a Secretary. Similarly other two Departments are also headed by a Secretary, separately. Other senior officers in the Department of Industrial Development are, Secretary (Technical Development) and Director General of Technical

Development, Development Commissioner, Small Scale Industries and Economic Adviser. The post of Director General of Technical Development has been upgraded to the rank of Secretary and that of Development Commissioner, Small Scale Industries to that of Additional Secretary.

Organisations under the Department

A brief description of the Organisations under the administrative control of the Department of Industrial Development is given below :—

(A) Offices and Specialised Bodies within the Department.

(i) *Directorate General of Technical Development*

With a view to bring about a structured modification of the organisation for a renewed emphasis on the technical development function the Secretary (TD) & Director General (Technical Development) has re-organised the organisation and the following new Divisions have been brought into existence:—

(a) Policy, Planning & Coordination;

(b) Energy Conservation;

(c) Materials Conservation;

(d) Technology Development; and

(e) Capital Goods Development and Monitoring.

These new Divisions will be manned by appropriate officers by transfers from within the organisation and by induction of expertise from outside the organisation into these Divisions. The rest of the Technical Officers in the organisation have been re-grouped into four Divisions, each led by a Deputy Director General and supported by an adequate complement of Industrial Advisers, Development Officers and Assistant Development Officers. Two of D.D.G's. Divisions are on the engineering

side while the remaining two are on the non-engineering side. Individual charges of Development Officers under DDG's Divisions have been re-aligned to permit specialization in technical disciplines as related to closely-knit industry groups. DDG's Divisions would concentrate within industries or industry groups on specific functions like . (a) Development ow key industries on an integrated basis; (b) import substitution at the micro-level, (c) optimum utilization of existing capacity, and (d) to a smaller extent, regulatory aspects like industrial licensing, capital goods licensing and foreign collaboration approvals. In addition to these lines of reorganisation, the Administration Directorate in DGTD has been re-oriented towards management development and training activities.

Functions :

As the principal Technical Advisers and Consultants to the Government of India in the industrial field, the main responsibility of DGTD is to advise and assist not only the Ministry of Industry and Civil Supplies, of which it is an integral part but also all the other Ministries and Departments of the Government and the various branches of industry in all technical aspects of industrial development Its activities have, been assuming an accelerated importance from year to year in the context of the expanding industrial base of the country. The field of operation of DGTD covers all industries except iron and steel, coal, textiles, jute, sugar, vanaspati and petroleum.

The functions of the DGTD are:—

(i) to advise on and assist in the planning and development of industries to secure a well-balanced and properly coordinated pattern of industrialisation of the country,

(ii) to advise on and assist in formulating the detailed industrial production targets under the five year plans and keep them under constant review;

(iii) to secure increased production of those articles and commodities, the present production of which is insufficient to meet the country's demand and ensuring improvement in the quality of production;

(iv) to examine from technical angle applications received under the Industries Development & Regulation Act, 1951 for establishing new industrial units or for effecting substantial expansion of existing production units and make appropriate recommendations to the concerned Ministries;

(v) to advise on the suitability of collaboration terms in respect of industries sought to be established with foreign collaboration;

(vi) to scrutinise applications for import of capital goods, raw materials, steel, etc. from the point of essentiality and/or indigenous non-availability;

(vii) to advise and make specific recommendation regarding:

(a) formulation of import and export policies;

(b) tariff protection;

(c) training of technical personnel overseas, etc.

(viii) to issue certificates of exemption from payment of customs duty on scientific equipment and appliances not manufactured in India;

(ix) to collect and compile industrial data relating to installed capacity, actual production, employment position, stocks, prices, etc., and apprise the Ministries concerned of their trends;

(x) to tender technical advise on the promotion of export of engineering and non-engineering goods;

(xi) to assist various Government Organisations like IFC, IDBI, NIDC, etc., on technical aspects in connection with grant of loans to industries;

(xii) to guide the work of the Development Councils constituted under the Industries Development and Regulation Act, 1951 and act as Secretariat for the same;

(xiii) to conduct studies to find out substitutes for imported raw materials and finished products;

(xiv) to assist the Indian Standards Institution in preparing standards for various products including raw materials, adoption of quality certificate scheme, etc.;

(xv) to assist the Government in running private sector factories taken over by the Government under the Industries Development and Regulation Act, 1951;

(xvi) to arrange for participation of its technical officers in scientific and technological seminars and symposia both in India and under the aegis of the international organisations abroad,

(xvii) to give technical advice to industries in switching over to the metric system of weights and measures, and

(xviii) to modernise industries.

(ii) *Small Industries Development Organisation*

This organisation is headed by the Development Commis-oner, Small Scale Industries.

The Small Industries Development Organisation functions ough a net-work of 16 Small Industries Service Institutes, 16 nch Institutes, 51 Extension Centres, 5 Production Centres 2 Training Centres. It has Industrial Advisors and Direc-looking after a number of disciplines at the headquarters.

ne of the most important functions of the Small Industries opment Organisation is to give technical advice and assis-o small scale manufacturers. It provides common service ol room facilities in different workshops attached to Small

Industries Service Institutes and Extension Centres. It conducts training courses in management and technical disciplines, apart from providing management consultancy services. It also collects and disseminates information on vital matters connected with small scale industries.

(iii) *Office of the Economic Adviser, New Delhi*

The primary function of this office is to render technical advice on matters of economic nature. The office compiles and publishes the official Index Number of Whole Sale Prices in India and review trends in whole sale prices periodically. The office examines trends in industrial production and assists in the formulation of industrial policies and import policies. It also renders advice and assistance on the allocation of foreign exchange for imports of raw materials and other maintenance inputs.

(iv) *Office of the Salt Commissioner, Jaipur*

The Salt Commissioner's office has under its administrative control three Regional Offices at Bombay, Madras and Calcutta. This organisation is responsible for the administration of the Salt Cess Act, 1953, quality control of salt and the running of salt laboratories and model salt farms. It makes necessary arrangements for the distribution of salt throughout the country in consultation with the State Governments. This office is also responsible for the administration of the Central Excise and Salt Act, 1944, and the Rules framed thereunder, so far as they relate to Salt.

(v) *Organisation of the Controller General of Patents, Designs and Trade Marks*

The Controller General of Patents, Designs and Trade Marks is the common head of both the Patent Office and the Trade Marks Registry.

The Patent Office is concerned with the administration of the Patents Act, 1970 and the Designs Act, 1911. The head office of the Patent Office is at Calcutta and it has branches at Bombay and Madras.

(vi) *Departmnet of Explosives, Nagpur*

This Inspectorate is concerned with the administration of Indian Explosives Act, 1884 and Petroleum Act 1934 and the rules made thereunder The Inspectorate also functions as an Advisory Body to the Central and State Governments, Railways, Ports, I.S.I., Directorate General of Civil Aviation, Oil and Natural Gas Commission, State Trading Corporation. Oil Companies and the Industries and Trade on matters relating to import, transport, manufacture, storage, handling, packing and use of hazardous materials including explosives and petroleum products. Technical officers of the Inspectorate carry out technical investigation of all major fires/explosions involving explosives and other dangerous goods and handle, examine and submit expert report on home made live bombs, incendiaries and other dangerous articles used in connection with unlawful activities. The Inspectorate also gives training to Police Officers, Security Officers and Others on the indentification and handling of such articles.

The Headquarters of the Department is situated at Nagpur. It has five regional offices at Calcutta, Bombay, Madras, Agra Gwalior and five Sub-Regional Offices at Asansol, Gomia, Gauhati, Hyderabad and Sivakasi.

(vii) *Bureau of Industrial Costs and Prices*

The Bureau of Industrial Costs and Prices is an advisory body to render advice to Government on a continuing basis on the various issues pertaining to cost reduction and improvement of Industrial efficiency and pricing problems in relation to industrial costs.

The Bureau is headed by a Chairman and has two whole time members. In addition, the Directorate General, Technical Development and the Economic Adviser are *ex-officio* Members of the Bureau.

(B) *Public Sector Undertakings*

The Department of Industrial Development is concerned with the following public enterprises:—

(a) Promotional Corporations :—

(i) National Industrial Development Corporation Ltd., New Delhi.

(ii) National Small Industries Corporation Ltd., New Delhi.

(b) Industrial Projects :—

(i) Instrumentation Limited, Kota (Rajasthan).

(ii) National Instruments Limited, Calcutta.

(iii) Bharat Ophthalmic Glass Ltd., Durgapur (West Bengal).

(iv) Hindustan Cables Limited, Rupnarainpur (West Bengal).

(v) Cement Corporation of India Limited, New Delhi.

(vi) Hindustan Photo Films Manufacturing Co. Ltd., Ootacamund (Tamil Nadu).

(vii) Hindustan Salts Limited, Jaipur (Rajasthan).

(viii) Sambhar Salts Limited, Jaipur (A subsidiary of Hindustan Salts Limited).

(ix) Tannery & Footwear Corporation of India Ltd. Kanpur (Uttar Pradesh).

(x) National Newsprint & Paper Mills Ltd., Nepanagar (Madhya Pradesh).

(xi) Hindustan Paper Corporation Ltd., New Delhi.

(xii) National Textile Corporation Ltd., New Delhi.

The performance of these Undertakings during the year has been reviewed in Chapter III.

(C) *Other Organisations*

The following Organisations, Institutes, Boards and Committees are also under the control of the Department of Industrial Development. A brief description of their functions and activities during the year are given in Chapter IV

1. National Productivity Council, New Delhi
2. Indian Standards Institution, New Delhi.
3. Small Industry Extension Training Institute, Hyderabad
4. National Institute of Designs, Ahmedabad.
5. Central Institute of Tool Designs, Hyderabad
6. Institute for Design of Electrical Measuring Instruments, Bombay.
7. Central and Regional Advisory Board for Salt
8. Licensing Committee.
9. Development Councils.
10. Central Advisory Council of Industries.
11. Reviewing Sub-Committee of the Central Advisory Council of Industries.
12. Rural Industries Projects.
13. Central Boilers Board.
14. Commission of Inquiry on Large Industrial Houses.
15. Artificial Limbs Manufacturing Corporation of India, Kanpur.

Use of Hindi in the Department for Official Purposes

This Department has been making sustained efforts for pro gressive use of Hindi for official purposes. Steps have bee taken to ensure implementation of the provisions of the Officia Languages Act, 1963, as amended. In pursuance of the ins tructions issued by the Ministry of Home Affairs, an Officia Languages Implementation Committee was constituted in the Department towards the end of 1970, with a view to ensurin compliance of the provisions of the Act. The composition o the Committee was subsequently increased so as to includ representatives of the Attached and Subordinate offices of th Department. Meetings of this Committee are held from tim to time to review the progress and two meetings were held i the year under review.

A list of Hindi equivalents of the commonly used terms i the fields of Commerce and Industry is being compiled for th use of the officers in the Department.

At the commencement of the year, there remained a heavy back log of 2556 Pre-SIA applications in addition to 517 new applications received during November and December 1973. Thus the total gross receipt of IL cases during 1974 was 9105.

Meeting of Approval Committees

There was a sharp increase in the number of meetings held by the Licensing Committee during this period. As against 33 meetings in 1972 and 55 meetings in 1973, the number of meetings rose to 74 during the year 1974. In addition to these meetings, the newly constituted LC-cum-MRTP Committee held 28 meetings and the Project Approval Board (PAB) held 12 meetings. Thus there were during the year 114 meetings of the Approval Committees which took 5594 final decisions. (These decisions not only cover approvals and rejections of IL applications, but also reconsideration of representations against rejections, applications for change of location or other amendments, extension of validity or revocation/cancellation of Letters of Intent and Industrial Licences, policy reviews and other miscellaneous matters).

Return of applications

1686 incomplete or defective applications (28% ot gross new receipts during the year) had to be returned to the applicants for rectification and submission. The defects generally noticed at this preliminary stage include use of the wrong forms, inadequate number of copies, incomplete or incorrect filling up of the columns, absence of Treasury Receipts, under-payment or credit to the wrong Head of Account, non-submission of corresponding MRTP applications, ineligibility to apply under IDR Act, etc.

Disposals

The total number of substantive disposals during the year is 5819, a record figure for any one year.